

Mr. Craig G. DeKany, CPA
Reimbursement Manager
HCR – Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

Re: AC# 3-ELH-J8 – Eagle Landing Health Care Center

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Mr. Craig G. DeKany, CPA
Reimbursement Manager
HCR – Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

Re: Draft Report – AC# 3-ELH-J8 – Eagle Landing Health Care Center

Dear Mr. DeKany:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Mr. Jay S. Von Kannel, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-ELH-J8 – Eagle Landing Health Care Center

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Mr. Jay S. Von Kannel, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

EAGLE LANDING HEALTH CARE CENTER

HANAHAN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-ELH-J8**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1998	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 3, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Eagle Landing Health Care Center, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Eagle Landing Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Eagle Landing Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 3, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

EAGLE LANDING HEALTH CARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-ELH-J8

Interim reimbursement rate (1)	\$99.18
Adjusted reimbursement rate	<u>97.60</u>
Decrease in reimbursement rate	\$ <u>1.58</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

EAGLE LANDING HEALTH CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 1999
AC# 3-ELH-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$45.45	\$44.29	
Dietary		9.20	10.24	
Laundry/Housekeeping/Maint.		<u>5.85</u>	<u>8.89</u>	
Subtotal	<u>\$2.92</u>	60.50	63.42	\$60.50
Administration & Med. Rec.	<u>\$ -</u>	<u>13.22</u>	<u>11.39</u>	<u>11.39</u>
Subtotal		73.72	<u>\$74.81</u>	71.89
<u>Costs Not Subject to Standards:</u>				
Utilities		2.87		2.87
Special Services		1.63		1.63
Medical Supplies & Oxygen		4.33		4.33
Taxes and Insurance		1.66		1.66
Legal Fees		<u>.17</u>		<u>.17</u>
TOTAL		<u>\$84.38</u>		82.55
Inflation Factor (3.00%)				2.48
Cost of Capital				8.67
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				2.92
Effect of \$1.75 Cap on Cost/Profit Incentives				(1.17)
CNA Add-On				.75
Nurse Aide Staffing Add-on				<u>1.40</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$97.60</u>

EALE LANDING HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-ELH-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,569,441	\$ -	\$ 22,703 (6) 1,856 (6)	\$1,544,882
Dietary	315,428	-	3 (5) 2,798 (6)	312,627
Laundry	40,140	-	483 (6)	39,657
Housekeeping	88,478	493 (8)	1,258 (6) 486 (9)	87,227
Maintenance	73,956	404 (8)	1,640 (5) 450 (6) 393 (9)	71,877
Administration & Medical Records	454,107	2,115 (8)	1,711 (6) 258 (6) 2,133 (9) 2,923 (10)	449,197
Utilities	98,132	535 (8)	669 (5) 531 (9)	97,467
Special Services	55,729	4,768 (10)	5,049 (6)	55,448
Medical Supplies & Oxygen	161,914	-	3,421 (3) 2,614 (4) 3,131 (5) 476 (6) 4,826 (7) 212 (10)	147,234
Taxes and Insurance	56,317	304 (8)	304 (9)	56,317
Legal Fees	5,782	31 (8)	30 (9)	5,783

EAGLE LANDING HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-ELH-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Cost of Capital	300,565	28,313 (2) 2,169 (8)	26,150 (1) 1,729 (9) <u>8,568 (11)</u>	294,600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	3,219,989	39,132	96,805	3,162,316
 Ancillary	 208,068	 3,421 (3)	 -	 211,489
 Non-Allowable	 736,328	 26,150 (1) 2,614 (4) 37,042 (6) 5,606 (9) <u>8,568 (11)</u>	 28,313 (2) 6,051 (8) 1,633 (10)	 780,311
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Total Operating Expenses	 <u>\$4,164,385</u>	 <u>\$122,533</u>	 <u>\$132,802</u>	 <u>\$4,154,116</u>
 Total Patient Days	 <u>33,989</u>	 <u>-</u>	 <u>-</u>	 <u>33,989</u>
 Total Beds	 <u>96</u>			

EAGLE LANDING HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-ELH-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$255,178	
	Other Equity	499,780	
	Nonallowable	26,150	
	Fixed Assets		\$754,958
	Cost of Capital		26,150
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	28,313	
	Nonallowable		28,313
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Ancillary	3,421	
	Medical Supplies		3,421
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable	2,614	
	Medical Supplies		2,614
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
5	Retained Earnings	5,443	
	Dietary		3
	Maintenance		1,640
	Utilities		669
	Medical Supplies		3,131
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		

EAGLE LANDING HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-ELH-J8

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	37,042	
	Nursing		22,703
	Restorative		1,856
	Dietary		2,798
	Laundry		483
	Housekeeping		1,258
	Maintenance		450
	Administration		1,711
	Medical Records		258
	Medical Supplies		476
	Special Services		5,049
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Other Ancillary Revenue	4,826	
	Medical Supplies		4,826
	To properly offset income against related expense		
	HIM-15-1, Section 2102.3 and 2328		
	State Plan, Attachment 4.19D		
8	Housekeeping	493	
	Maintenance	404	
	Administration	2,115	
	Legal	31	
	Utilities	535	
	Taxes and Insurance	304	
	Cost of Capital	2,169	
	Nonallowable		6,051
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

EAGLE LANDING HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-ELH-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	5,606	
	Housekeeping		486
	Maintenance		393
	Administration		2,133
	Legal		30
	Utilities		531
	Taxes and Insurance		304
	Cost of Capital		1,729
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Special Services	4,768	
	Administration		2,923
	Medical Supplies		212
	Nonallowable		1,633
	To adjust special (ancillary) services State Plan, Attachment 4.19D		
11	Nonallowable	8,568	
	Cost of Capital		8,568
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$887,760</u>	<u>\$887,760</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

EAGLE LANDING HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-ELH-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>96</u>
Deemed Asset Value	3,372,480
Improvements Since 1981	214,554
Accumulated Depreciation at 09/30/98	<u>(817,362)</u>
Deemed Depreciated Value	2,769,672
Market Rate of Return	<u>.063</u>
Total Annual Return	174,489
Return Applicable to Non-Reimbursable Cost Centers	(937)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>1,076</u>
Allowable Annual Return	174,628
Depreciation Expense	119,353
Amortization Expense	2,348
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,729)</u>
Allowable Cost of Capital Expense	294,600
Total Patient Days (Minimum 97% Occupancy)	<u>33,989</u>
Cost of Capital Per Diem	\$ <u>8.67</u>